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Germany

Agricultural Situation

Germany's View on the Current Global Food Situation: Causes and Responses

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Report Highlights:

The German Federal Ministry of Agriculture, Food and Consumer Protection (BMELV) has released its position paper on the current international food crisis, its causes and potential responses. BMELV states that the current market conditions provide production opportunities to farmers in developing countries. However, emerging food shortages can only be overcome in the short term by increased production in developing countries. Production conditions for small farmers in developing countries must be improved. BMELV also states that agricultural biotechnology research should address agronomic constraints to food production around the world.

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The German Federal Ministry of Agriculture, Food and Consumer Protection (BMELV) recently published a paper¹, entitled Food Production Is the Main Goal of Sustainable Agriculture. It discusses the current international price developments for agricultural commodities and their impact on global food and crop fuel markets. The paper covers many of the same concerns that similar analytical papers have made. The very last sentence of the paper notes that biotechnology has a potential to contribute to the solution of the supply problem.

Government officials indicate that this paper will serve as the German position for the upcoming discussion at FAO and other forums, which will focus on strategies to address global hunger and food prices. In addition, this paper is the starting point for further German national position development on agricultural production strategies and international aid.

The paper has three main sections: Facts, Causes and Impact; Tasks and Goals; and What Needs to be Done. It also discusses the Common Agricultural Policy and the utilization of renewable resources.

In **Facts, Causes and Impact**, BMELV states that global food price increases in 2006 (9%) and 2007 (23%) were mainly driven by increases for grains, vegetable oils and milk. However, pork prices remained stable and prices for sugar actually dropped by 30%. The increase in price volatility is also mentioned as a concern. BMELV sees three main causes for price increases: global population growth; additional protein consumption by urban consumers; and increased demand for commodities for biofuel. BMELV however points out that the price effect from biofuels is smaller than that from other causes. BMELV also states that investment funds view the agricultural commodities as new investment opportunities and also contribute to market volatility.

More specifically on the supply side, there are five factors causing higher prices:

- 1) shrinking food stocks world-wide;
- 2) export taxes and restrictions on grains and oilseeds in some countries;
- 3) export subsidies of certain major exporting countries and the export support programs of the U.S. have been decreased which has accelerated price increases;
- 4) weather related production shortages in 2005 and 2006; and
- 5) higher production costs due to increasing fossil fuel and input prices.

BMELV acknowledges that higher food prices have positive effects including:

- 1) farmers, especially those in developing countries, have higher returns and incomes which fights rural poverty;
- 2) agricultural exporting countries can increase export revenue with increased exports;
- 3) shifting political priorities in developing countries to the advantage of agriculture; and
- 4) increased opportunities for sustainable agriculture.

BMELV also states that increasing food prices have negative effects including:

- 1) poor, particularly in cities in developing countries, must pay more for food;
- 2) increased needs for food aid and food assistance;
- 3) import depend countries must spend more on food;
- 4) international aid organizations must reduce their assistance unless additional funds are found;
- 5) increased pressure on vulnerable/sensitive regions for wild plants (rain forests) and animals for the water resources; and
- 6) greater soil and air pollution if increased agricultural production does not follow sustainability rules.

In the **Tasks and Goals** section, BMELV states that the fight against global hunger and malnutrition are the prime tasks for the international community. There are 850 million people suffering hunger and 2 billion are malnourished today. Agricultural price increases make it more difficult to meet the goal of reducing hunger as agreed at the World Food Summits in 1996 and 2002. Agricultural productivity increases are

¹ The complete paper in German language is found under following internet address:
http://www.bmelv.de/clin_045/nn_754188/DE/10-Internationales/Welternaehrung/Welternaehrung.html_nnn=true

the key to solution of the problem. However, BMELV notes that for the foreseeable future, developed countries are likely to meet increased food demand through imports.

One of the greatest challenges for energy poor countries, BMELV states, is securing energy supplies. In addition, BMELV posits that agriculture also must contribute to the fight against the climate change. The goal of the EU is to reduce the emission of greenhouse gases by at least 20 percent by 2020. This should be achieved by improving energy efficiency by 20 percent and increasing the use of renewable energies to 20 percent of the total energy consumption. BMELV feels that while there is sufficient cropland available to produce ethanol in Germany, the situation is different for biodiesel because of crop rotation needs associated with rapeseed. BMELV estimates that currently two-thirds of the vegetable oil used in biodiesel production are imported. This percentage is forecast to increase further. However, BMELV states that sensitive regions, such as rainforests, should not be destroyed to increase vegetable oil production because of the reduction in biodiversity.

In discussing **what needs to be done**, BMELV states that rural development programs must be readjusted to allow small farms in developing countries to advantage of rising prices. BMELV indicates that short term assistance such as giving away seeds, fertilizer and other inputs does not really solve structural problems. Also, BMELV contends that increasing humanitarian emergency and food aid cannot be a solution for rising food prices. Donations can only prevent emergency situations. BMELV concludes that food aid should not be in conflict with longer term programs to improve rural structures.

With regard to agricultural trade, BMELV states that industrialized countries should further reduce their support programs which might depress prices and prevent production incentives in developing countries. Developing countries should be better integrated into the world trading system by reducing tariffs, export subsidies and other trade distorting subsidies.

BMELV contends that government consultation and other technical cooperation with agricultural exporting countries in Eastern Europe and Asia can result in an improved utilization of existing production potentials for biofuels. For example, 232 million hectares of cropland can be made available to these needs.

BMELV says that reform of the **Common Agricultural Policy** is the right way to tackle problems on the world commodity markets and to improve the domestic supply situation. EU agriculture will concentrate however on providing a sufficient domestic supply for the EU population. Supply security also means that domestic support programs should focus on small and mid-sized EU entrepreneurs. These groups should not be forced to go out of business during times of lower prices. BMELV states in the paper that the EU has already reduced their trade distorting agricultural subsidies by two thirds, which is a bigger contribution than that of the United States. Finally, BMELV demands that EU agricultural reform approach should be complimented by an international acceptance of EU standards for sustainable agriculture, in order to have EU market access.

Finally, BMELV states that the expanded **utilization of renewable resources**, including for bio-energy, will play an important role in successful protection of the climate. Bioenergy also contributes to the national energy security and the improvement of rural regions. BMELV says that land competition for bio-energy production is manageable within the EU if:

- 1) fallow land is returned to production;
- 2) the consumption of land is reduced (currently about 110 hectares per day);
- 3) the EU set-aside program and the energy crop subsidy are abolished; and
- 4) research, development, and market introduction for waste materials (manure and other residues) is intensified.

BMELV states that land in other EU countries and the former Soviet Union is available to meet the growing needs of Germany for feed stocks for biofuels. Agricultural cooperation with these countries will protect rainforests. However, capacity building activities and the development of certification programs for sustainability are necessary. In addition, BMELV indicates that as long as there are no EU regulations in place on sustainability, Germany needs to develop and temporarily implement national transitional measures.

Finally, BMELV highlights the need for national and international agricultural research and the dissemination of the results in developing countries. This is key to achieving the complex task of world nutrition, development, climate-friendly energy production and nature-friendly crop production at the same time. Cooperation in the field of rural development will also yield in achieving price stabilization in developing countries. BMELV ends by noting that these national and international efforts include research on agricultural biotechnology, which will produce plants more tolerant to dryness, heat and other unfavorable environment conditions.

Comment: This paper makes clear the German Government analysis of the causes of the current global food situation is largely in agreement with that from the United States. In responding to the situation, Germany's focus is on the role of small farmers, and how to build or rebuild structures so that farmers remain in rural regions to produce food. Officials indicate that any technology transfer should be sustainable and affordable for the local farmers. With regard to the role biotechnology might play, German officials have said that seed material for developing world farmers should not come with any additional fees. The focus they feel should be on varieties which are nutrient richer than existing varieties and drought tolerant. BMELV indicated that currently available biotech events do not meet these requirements but that research should continue on how biotechnology can respond to challenges in food insecure areas.